WCB
Workers Compensation Board of Manitoba

# SERVICE DRIVEN.
# SAFETY MINDED.

## WCB 2005-2009 FIVE YEAR PLAN

SAFE WORK

SPOT THE HAZARD
ASSESS THE RISK
FIND A SAFER WAY
EVERYDAY

WCB
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Board of Manitoba

105-04192/

# THE WORKERS COMPENSATION BOARD OF MANITOBA

# FIVE YEAR PLAN, 2005-2009


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Please call **954-4760**, or toll free **1-800-362-3340**.

For further information on the WCB's activities in 2004, please refer to the 2004 Annual Report or visit **www.wcb.mb.ca** or **www.safemanitoba.com.**

# EXECUTIVE SUMMARY

Tens of thousands of Manitobans are injured on the job and others are diagnosed with occupational diseases. This rate of workplace injury and disease is too high.

In 2005 and beyond the WCB will focus on creating a safety culture through greater public awareness and education. The WCB will also focus on enhancing prevention measures. The WCB and its partners have made great progress in reaching out to the public with the safety message, and even more will be done.

The Workers Compensation Board and the Workplace Safety and Health Division (WSHD) created a public awareness campaign to reduce the time loss injury rate by 25 percent over five years. The "SAFE Work" message ("**SAFE:** **S**pot the hazard, **A**ssess the risk, **F**ind a safer way, **E**veryday") is already showing positive results.

Returning injured workers to health and to work continues to be a high priority for the WCB. The WCB is working with healthcare providers to ensure that injured workers receive the medical services they need. Also, the WCB is working with injured workers and employers to enhance the potential for successful return to work outcomes in Manitoba.

Continuous improvements in the way services are provided is a WCB commitment. The WCB has adopted a Statement of Service Excellence — the WCB will provide service that is fast, easy, caring, right and clear.

The WCB will remain fiscally accountable and dependable in the future. The nearly 25,000 employers who fund the program and the over 40,000 workers who annually require timely and effective services deserve no less.

2004 was an eventful year as the WCB pursued initiatives to further goals in the areas of prevention, recovery, service and stewardship. The next five years promise to be even more exciting as the recommendations from The Workers Compensation Act Legislative Review Committee are turned into new legislation and new policies and procedures at the WCB.

The Workers Compensation Board is dedicated to improving the way it does business, and it will continuously evaluate its performance to ensure that its services are timely, appropriate and cost-effective. This Five Year Plan reviews some past activities and introduces future initiatives which will achieve the WCB's objectives.

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## WCB IN REVIEW

Each year the Workers Compensation Board presents its vision for the future of the compensation system in Manitoba to help focus and drive continuous improvements in the way it does business. The WCB has adopted four strategic themes to assist in this process.

- **Prevention** - protecting workers and preventing injuries and illness.
- **Recovery** - returning workers to health and work.
- **Service** - continuously improving services to workers and employers.
- **Stewardship** - effectively managing human, technical and financial resources.

Within these themes, the WCB undertook a number of important initiatives in 2004. Each area of focus brings with it challenges that must be addressed if the WCB is to achieve its goals. Further, there must be a way to measure whether the goals have been achieved. Both the challenges and measures of achievement are outlined below.

## PREVENTION

### THE SITUATION TODAY

On average, over 800 Manitobans are injured at work every week. That means that approximately 100 people are hurt at work every day—one every 14 minutes. Every two weeks, a worker is killed on the job.

Preventing injuries and illnesses in the first place is good for everyone: workers, their families, employers, and the WCB. To meet the WCB's goal of reducing the time loss injury rate by 25 percent, prevention efforts need to be proactive and aggressive.

The time loss injury rate has declined from a high of 5.8 per 100 full-time equivalent workers in 2000 to 4.5 (estimate[1]) in 2004. While this is a drop of 22 percent, Manitoba's time loss injury rate remains too high.

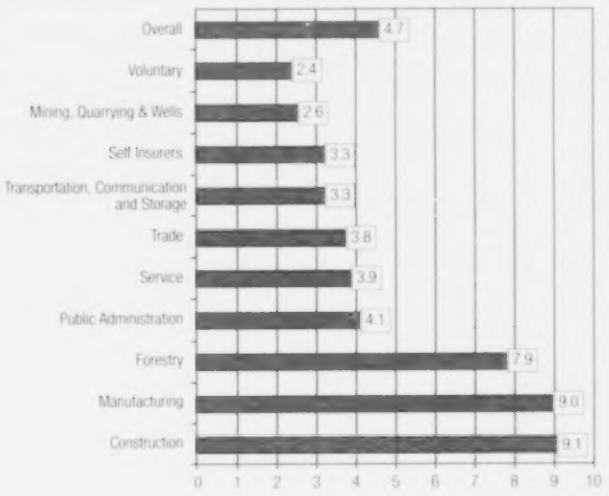
[1]The final figure will be released in June 2005, published in The Workplace Injury and Illness Statistics Report 2000-2004.

### Focusing on High Risk Industries, Workplaces and Activities

Injury prevention activities can be enhanced by knowing who is at risk. The *Manitoba Workplace Injury Statistics Report* provides a comprehensive picture of workplace injuries in Manitoba. The latest data available (2003) shows that manufacturing continues to generate the largest number of claims of all the industries. The level of injuries from manufacturing is also out of proportion to the number of workers employed in the industry. Manufacturing employed approximately 16 percent of all workers (full-time equivalent) in 2003, but generated around 31 percent of time loss claims. The result was 9.0 time loss claims per 100 full-time equivalent workers in 2003.

In comparison, the construction sector had a time loss rate of 9.1 for the same period, but only 9 percent of the time loss claims and 4.6 percent of the workforce.

**2003 Time Loss Injury Rate by Industry**




The healthcare sector is one of Manitoba's largest employers, and it is growing. The number of injuries that occur in this sector are increasing too. Injuries in healthcare occupations are predominately musculoskeletal in nature.

Industry data supports focussing prevention efforts on the manufacturing, construction and healthcare industries.

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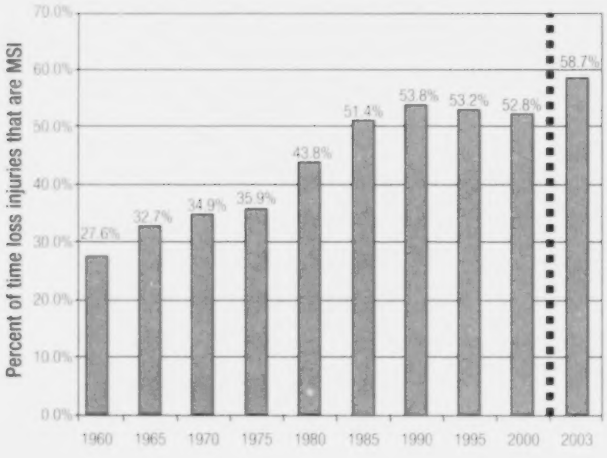
Fewer than one percent of Manitoba's registered employers (approximately 135 firms) generate 50 percent of all compensation claims. In all, about 5,000 (25 percent) registered firms submit claims each year. Focusing prevention efforts on those firms that generate the largest number of claims can be an effective use of prevention resources.

More than 50 percent of accepted time loss injuries are musculoskeletal (sprains, strains, tears, back pain, carpal tunnel and other connective tissue diseases and disorders) injuries.

Musculoskeletal injuries (MSIs) take longer to heal on average than other kinds of injuries. The average number of days on compensation benefits for MSI claims was 34.7 days in 2003, while the average duration of non-MSI claims was 21.2 days.

**Musculoskeletal Injuries as a Percentage of All Accepted Time Loss Injuries, 1960-2003**




The growth in work-related MSI injuries poses prevention challenges for the WCB and its partners. Musculoskeletal injuries are complex, and no one single intervention can prevent these kinds of injuries. Solutions require the involvement of many participants, particularly employers and safety and health committees.

## ACCOMPLISHMENTS

As a result of the 2001 Government of Manitoba's review of workplace safety and health in Manitoba, the WCB, along with the Workplace Safety and Health Division (WSHD), strengthened its injury prevention activities. The WCB and the WSHD launched an ambitious injury and illness prevention strategy.

### SAFE Work

In 2003, the WCB and the WSHD launched a comprehensive injury prevention program under the banner "SAFE Work." The SAFE message ("**SAFE: S**pot the hazard, **A**ssess the risk, **F**ind a safer way, **E**veryday") has been the focus of a series of six television advertisements, and has also been featured on radio, newspapers and billboards.

The WCB and the WSHD joined forces in the spring of 2004 to establish a joint SAFE Work Team. This team, with staff from both agencies, began focusing its prevention efforts towards employers that, owing to their size and number of injuries, will benefit the most from the team's work. Ninety-seven employers, composed of 42 priority firms in the healthcare sector and 55 priority firms in other sectors, have been the focus of the SAFE Work Team.

For the priority firms, the WCB is creating comprehensive injury and illness profiles. The SAFE Work Team also developed and delivered customized services to help firms build a culture that values and promotes safety. Such services involve training, development of an occupational health and safety program, assistance in building management commitment through increased awareness and assistance in implementing a disability management program. Plans varied depending on the firm's needs.

In coordination with the SAFE Work Team, the WCB has continued to take the prevention message to employers. To demonstrate the importance of safety, the WCB uses an interactive performance feedback tool, or "ScoreCard," to review an employer's previous five years claim costs and to project assessments for the next five years. The ScoreCard demonstrates to employers how reducing injuries and the effects of injuries through prevention and disability management can directly impact their bottom line. WCB staff gave 33 ScoreCard presentations to 77 firms in 2004.

Understanding that creating a safety culture requires management support, the WCB has continued its CEO-to-CEO meetings. These

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meetings will spread the SAFE Work concept by bringing together top executives of key employer and labour organizations in construction, manufacturing, healthcare and government. All levels of the WCB organization are involved in reaching out to stakeholders with the prevention message.

The WCB is reinforcing the safety message with its own staff. Recent changes to *The Workplace Safety and Health Act* require all workplaces with twenty or more workers to have a safety and health program. The WCB strengthened its internal health and safety program and increased the number of safety and health inspections at the WCB.

It will take a number of years and a great deal of persistence to help change Manitobans' knowledge, attitudes and behaviour around safety, but the SAFE Work campaign is already reaching people. The WCB engaged an independent firm to conduct a survey in the fall of 2004—more than eight out of ten respondents were aware of the SAFE Work message and seven in ten said they thought about safety and health more often than they did the year before. The prevention message is being heard and embraced by Manitobans.

## RECOVERY

### THE SITUATION TODAY

To minimize the impact of injury and illness, the WCB and its partners must recognize the implications of workplace injury trends.

Manitoba's workforce is aging, and the aging workforce is reflected in the distribution of injured workers. The average age of WCB claimants rose from 34 years of age in 1982 to 38 years of age in 2004. Older workers generally take longer to recover from their injuries, experience more recurrences, and suffer a disproportionate number of fatalities and injuries with permanent impairment compared to younger workers. In addition, older workers tend to have higher average salaries than younger workers, resulting in higher average claim costs.

The aging population will put service pressures on the public healthcare system, particularly in areas such as orthopaedics that injured workers often use.

In the past 65 years, the number of women in the paid workforce has increased significantly. As more women have entered the labour force, the number of claims filed by women has also increased. Statistically, women are likely to remain on compensation longer per claim than men, although overall claim costs for women are lower.

In general, several factors impact the recovery process and increase the length of time on compensation for both men and women. The current state of the economy, for example, affects the availability of alternate employment. Timely access to medical services directly affects injured workers' ability to return to health and productive, meaningful work.

Research has shown that the longer injured workers are off work, the greater the likelihood they will not return to work, and the higher the costs associated with their claims. Returning to work must, therefore, be part of the healing process. Workers, employers, their representatives and the WCB need to work together to return injured workers to work as early in the recovery process as it is safe to do so.

### ACCOMPLISHMENTS

The ultimate goal of the WCB is to return injured workers to health and meaningful work in a timely and safe manner, and it is dedicated to working with workers, employers and healthcare providers to make this happen.

#### Healthcare

The workers' compensation system in Canada was in existence long before the national medicare system. One consequence is that the WCB, and not Manitoba Health, pays healthcare providers and facilities directly for services provided to injured workers. The WCB, however, relies on the provincial healthcare system for the "nuts and bolts" of healthcare, such as diagnostic testing, examinations by medical specialists and access to surgical intervention. The Manitoba WCB does not operate healthcare facilities, and workers choose their own doctors.

The WCB understands that the faster an injured worker can receive care, the faster he or she can recover. To promote timely access to services, the WCB has developed a graduated fee schedule for all

independent surgical facilities in Manitoba. The fee schedule facilitates timely consultations, surgeries and diagnostic services.

The WCB is also working to improve internal healthcare services. The WCB contracts with medical advisors who conduct exams and provide medical opinions to adjudicative personnel. The WCB is examining its medical service delivery processes to improve adjudication and case management and to enable injured workers to reach their maximum medical improvement.

### Return to Work Initiative

The Board of Directors sponsored the first seminar on return to work issues in 2002 and followed it up with a second return to work seminar in 2003. A twelve-member Stakeholder Advisory Group was established with members representing labour, employers and healthcare providers. The group completed its mandate and provided recommendations on all aspects of return to work for injured workers in September 2004.

The WCB has enhanced its internal processes so that efforts can be made earlier in the process to help injured workers recover and return to safe work more quickly. New training to further develop skills in disability management and return to work was delivered to staff.

The WCB transfered knowledge to stakeholders about best practices in return to work. The WCB also published new materials, made presentations to employers, and updated the online *Disability Management Resource Guide* and *The Occupational Health and Safety Resource Guide*.

To measure the WCB's progress, new and enhanced return to work measures were incorporated into customer service client surveys, and the Manitoba WCB is leading the process nationally to develop key return to work indicators across Canada.

The importance of early and safe return to work has a higher profile than ever before, and employers are more receptive to bringing injured workers back to work. Of employers surveyed in 2002, 39 percent said they wanted to receive assistance from the WCB in disability management and return to work. That response rose to 50 percent in 2004.

## SERVICE

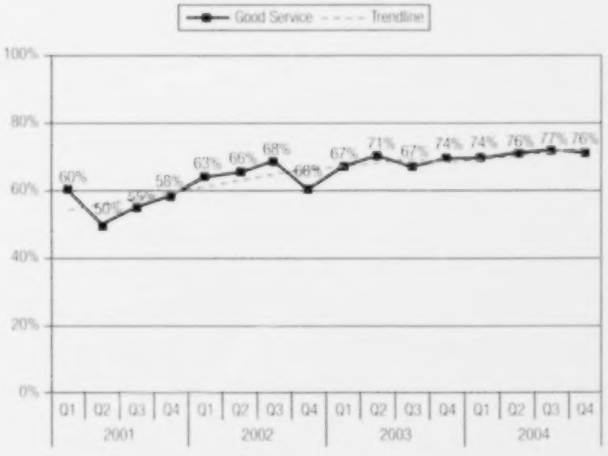
### THE SITUATION TODAY

The service provided by the WCB to injured workers is a complex process involving many different parties—workers, employers, worker or employer representatives, healthcare providers—and many WCB staff. Combine this complexity with the fact that the process is initiated by the distressing event of a worker's injury and one is presented with unique service delivery challenges.

Injured workers have told the WCB quite clearly that the speed of claim processing and benefit payment is their number one priority. Eighty percent feel that waiting three weeks or longer from the time they notify the WCB until the time they receive their first payment is unacceptable. In 2004, 42.3 percent of routine time loss claims were paid within 14 days of the injury, up from 38.7 percent in 2003 and 30.0 percent in 2002.

Injured workers' expectations for good service from the WCB are increasing.

**Worker Expectations for Good Service from the WCB Quarterly Results: 2001-2004**

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Injured workers expect an easy claim process without having to deal with a number of different people. They want regular contact and clear information, and they want caring treatment that makes them feel like a person instead of a number. Service delivery at the WCB is focused on meeting these service expectations more consistently.

Employers share many of the same service expectations as workers. They have told the WCB that they want fast and accurate service, appropriate treatment and clear communication.

Recognizing that customer expectations are always rising, the WCB has made continuously improving service delivery to its customers a high priority. The results of customer satisfaction surveys indicate that the WCB is making progress toward its service goals. The truest measure of service quality is in the eyes of the WCB's customers.

### Workforce Diversity

The workforce in Manitoba is becoming more diverse. According to the 2001 Canadian Census, immigrants comprise a growing portion of the labour force. Moreover, recent immigrants are more likely to have been born in non-European areas.

At the same time, the Aboriginal population in Manitoba is expanding rapidly, and the proportion of the workforce that is Aboriginal is growing.

Increasing the diversity of the WCB workforce to better reflect the community it serves will better equip the WCB to meet service challenges such as language and cultural differences with confidence.

## ACCOMPLISHMENTS

### Statement of Service Excellence

In 2003, the WCB adopted a Statement of Service Excellence—the WCB will provide service that is fast, easy, caring, right and clear. The WCB's goals are to achieve the following standards:

- **"Fast"** means making prompt decisions, reducing the number of days between loss of earnings and first payment, responding promptly to inquiries and resolving problems quickly.
- **"Easy"** means being accessible and flexible. It means having processes that are streamlined and hassle-free and giving workers and employers many convenient ways to communicate with the WCB.
- **"Caring"** means being sympathetic, respectful, responsive and sensitive. It means giving personal attention, treating people with dignity, listening carefully and always going the extra mile.
- **"Right"** means being accurate, ethical, appropriate, honest and fair. It means basing decisions on legislation, policy and entitlement.
- **"Clear"** means being understandable and making supportable decisions. It means the WCB has open communication, employs plain language and uses transparent processes.

### Training and Development

The WCB has developed and is executing a service training and development program. This program will strengthen the WCB's service culture by:

- emphasizing the pivotal importance of customer service
- evaluating service delivery by seeing ourselves through our client's eyes
- understanding client expectations and meeting them
- developing essential skills.

The development program will be delivered to all employees. By January 2005, two-thirds of WCB personnel had received this training.

### Business Process Renewal

Over the past several years, the WCB has evaluated its internal processes to make the entire claims process easier, faster and more efficient. By improving service, the WCB can help injured workers to safely return to health and work more quickly.

As a first step, the WCB examined how it received and handled new claims, because the earlier a claim is reported to the WCB, the more quickly the WCB can help.

The WCB redesigned the way new claims are adjudicated and initial wage loss payments made. The main goals of this process were:

- To reduce the number of days from the time of the injury to the day the WCB makes the first payment to the injured worker.
- To increase client satisfaction by accelerating the claims process, while at the same time ensuring the accuracy of claims information.

Staff in the Claim Information Centre, where injured workers initially report their claims, began new training in 2003 to help them adjudicate no time loss claims more effectively. At the same time, staff learned the importance of actively gathering information at the outset of a claim in order to reduce the need for further contact later on in the process. Adjudicators now have as much information as possible in order to make timely decisions and provide benefits to injured workers more quickly.

In 2004, the WCB continued to implement an initiative to consolidate roles in the adjudication area so that clients did not have to contact as many people at the WCB in order to provide information or discuss their claims. With fewer points of contact, less time was needed to adjudicate and pay claims.

In addition, a new claim system was introduced in 2004 which electronically captures claim information. Moving from paper to electronic files allows WCB staff to obtain quicker access to information received from internal and external sources. With the ability for multiple staff members to review files simultaneously, customers can receive immediate answers to their questions – no need to locate paper files and call the customer back. Electronic files at the fingertips of adjudicators of short term claims make payments more efficient than ever before. By 2006, case managers of more complex claims will have similar access to electronic claim files.

The new structure has significantly improved customer service. Rather than having to deal with several staff members on claims of different complexities, employers and workers have had their interactions with the WCB streamlined.

The WCB uses a case management model that brings together previously separate functions and departments, and aligns service-delivery teams with industry sectors. In 2004, the WCB continued to strengthen the case management system by balancing caseloads to ensure efficient use of resources for superior service to workers.

### Firefighters and Occupational Diseases

It is the WCB's mandate to ensure that workers who are injured or become ill at work receive the services to which they are entitled. *The Workers Compensation Act* was amended in May 2002 to state that certain diseases are presumed to have been caused by full-time firefighting. The medical and scientific literature showed a link between certain cancers and full-time firefighting. However, no studies to date have examined whether there is a link between these conditions and part-time or volunteer firefighting. The amendment to the *Act* requires the WCB to examine whether such a link exists. To explore this question, a ground-breaking cancer incidence study, funded by the WCB, is underway using Manitoba data.

### Customer Satisfaction

Every three months, on behalf of the WCB, an independent research firm surveys a random sample of injured workers whose WCB claims have ended. In 2004, the WCB began developing surveys for groups that have not traditionally been the focus of information gathering. Surveys are being designed specifically for workers who have longer term claims, for healthcare providers and for the WCB's internal customers. These surveys will generate new information that will enable the WCB to improve service in these areas.

### Employment Equity

The Workers Compensation Board is committed to Employment Equity—committed to reflecting the changing face of Manitoba to serve Manitobans better. A diverse staff means better customer service.

It is the WCB's intention to ensure that Aboriginal people, people with disabilities, visible minorities and women can participate equitably in employment and career advancement at the WCB.

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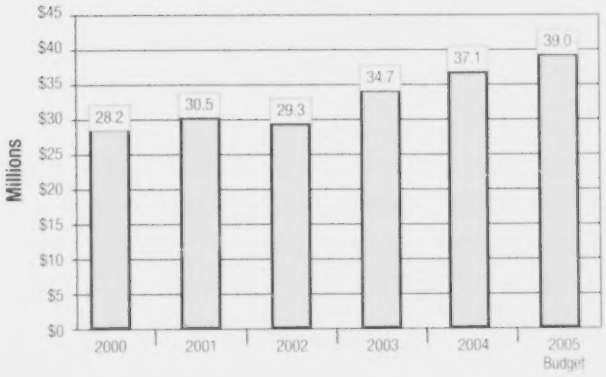
The WCB undertook a survey of staff in 2004 to identify their employment equity characteristics. In addition, the WCB undertook a review of its employment systems to identify barriers to hiring, retention and promotion of equity group members.

The WCB is committed to maintaining and improving its record. In 2004, the WCB began the process of creating staff awareness by delivering a staff education program on employment equity and cultural diversity.

**WCB Healthcare Expenditures, 2000-2005B**




## STEWARDSHIP

### THE SITUATION TODAY

The workers' compensation system is an employer-funded mutual insurance plan. As the administrator of the plan, the WCB has an obligation to responsibly manage the human, technical and financial resources entrusted to it.

The WCB remains in a strong financial position, with an Accident Fund Reserve of $70 million and a funding level of 118 percent (assets divided by liabilities.) The Manitoba WCB is one of only a few Canadian jurisdictions that are fully funded. It achieved fully funded status in 1996 and has maintained that position in every subsequent year. The WCB also holds a balance of $60 million in Accumulated Other Comprehensive Income. This amount is the unrealized gains/losses of the investment portfolio.

The target balance for the Accident Fund Reserve is $162 million. The WCB's move to a much higher target level in 2004 was driven by the adoption of fair value accounting for investments in 2004. Given that this policy will inject more volatility into investment income, a higher reserve balance was considered prudent.

#### Healthcare

WCB costs for providing healthcare services to workers will rise from approximately $22 million in 1997 to a budgeted $39 million in 2005. Except for 2002, annual growth rates in WCB healthcare costs have ranged from 8 percent to 15 percent—well beyond the rate of inflation.

#### Investment Climate

The WCB's accounting policy for the reporting of investment earnings changed in 2004. Previously, the WCB recognized market gains and losses over a 60-month period, allowing it to smooth fluctuations in the financial markets over several years. As a result of new standards recently introduced by the Accounting Standards Board, the WCB adopted fair value accounting for investments effective January 1, 2004.

Under this policy, investments are recorded at their fair value (market value) and interest, dividends and realized gains on sale are included in the Statement of Operations. Unrealized gains and losses are recorded in a new financial statement called Statement of Comprehensive Surplus. Fair value accounting will increase the volatility of investment income and, correspondingly, operating results.

#### Administration Costs and Financial Controls

The WCB has taken steps over the past few years to strengthen its financial management and controls:

- A three-year contract was negotiated with the Manitoba Branch of the Canadian Physiotherapy Association in 2004. Agreements such as this help to ensure predictability of healthcare costs.
- The WCB enhanced the reporting of claim and financial information to operational management. Better information assists management in pro-actively managing resources in the healthcare, rehabilitation and compensation areas.

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- The WCB's controllership function has been strengthened by improving data and performance measurement systems. These improvements enhance the WCB's financial strength.

As a result of its efforts, the Manitoba WCB continues to have the lowest administration cost per time loss claim of any workers compensation authority in Canada. As well, at $1.70, the Manitoba WCB has the lowest average assessment rate in comparison to the other boards in Canada who have 2005 provisional average rates ranging from $1.74 to $3.19.

### Business Resiliency Plan

The WCB has put in place a Business Resiliency Plan to help ensure the continuation of services in case of an incident, such as a fire or flood damage to WCB property, or a computer virus disabling the WCB's information technology system. The plan creates priorities and procedures for each of five possible incident levels.

One part of the Business Resiliency Plan was the creation of a Disaster Recovery Centre. The centre, which became operational in 2004, is an off-site facility that backs up the WCB's information technology system. In the event of an incident, the centre will enable the WCB to continue to service worker claims and employer accounts.

# WORKING TOGETHER FOR A SAFER MANITOBA: 2005 AND BEYOND

## ENVIRONMENTAL CHALLENGES AND RISKS

Planning at the Workers Compensation Board of Manitoba involves the analysis of economic, demographic, financial and claim trends that affect its operations. Such an analysis helps point to areas where resources may be needed and allows the WCB to identify challenges that may lie ahead.

### Key Points

- Canada and Manitoba's economies are shifting away from goods-producing industries to service-sector industries. The result has been an increase in the number of soft tissue injuries and an increase in the number of multi-factorial claims.
- Time loss claims are concentrated among a small number of Manitoba firms. The manufacturing industry, while taking aggressive steps to improve safety, is a large industry and generates the greatest number of claims.
- The workforces in Canada and Manitoba are changing. More women and people from diverse backgrounds are entering the workforce than ever before. The workforce is also aging. The result has been upward pressure on claim duration and demand for improved and diverse services.
- Client expectations are rising. They want better service, improved programs, faster healthcare, accountability and public participation.

### Implications

Given existing injury and claim trends, the WCB can probably expect over the next five years to face:

- the need to work aggressively with high risk industries, employers and workers to reduce the number and severity of workplace injuries
- continued pressure on claim costs due to an increase in the number of more complex claims and rising healthcare costs
- increasing client expectations for improved service
- continued challenges to improve prevention and disability management efforts.

Working with community partners, the WCB can help implement prevention strategies, foster the development of programs to return workers to health and work, and dramatically improve service.

### Legislative Review

In late September 2003, the Government of Manitoba announced its intention to hold a public review of *The Workers Compensation Act*. It has been 20 years since the public was last consulted about the legislation, and a decade since the Act was significantly changed.

The Workers Compensation Act Legislative Review Committee consisted of Wally Fox-Decent (chair), Pete Walker (representing labour), Chris Lorenc (representing employers) and Susan Rogers (representing the public interest).

Between April and June 2004, the committee held public hearings in Beausejour, Brandon, Dauphin, Flin Flon, Gimli, Morden, The Pas, Portage la Prairie, Thompson, Selkirk, Steinbach and Winnipeg. In addition, the committee held meetings with the WCB administration and staff, the Appeal Commission and the Worker Advisor Office.

The committee received 203 submissions representing the entire spectrum of WCB stakeholders: labour organizations, employer organizations, individual workers, worker representatives, individual employers, service providers, non-profit organizations, government bodies and staff.

The Report of the Legislative Review Committee was presented to the Minister of Labour on February 3, 2005. The Report contained 100 recommendations that touched on all aspects of workers' compensation. In general, the recommendations are consistent with the four strategic themes of the WCB: prevention, recovery, service and stewardship. The Minister sought the public's view of these recommendations. Based on these recommendations and public feedback, the Government of Manitoba is expected to introduce new workers' compensation legislation in 2005.

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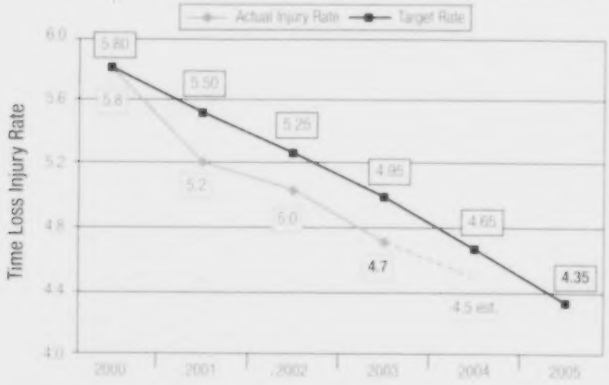
A new operating environment for the WCB will be created by the new legislation. The new *Act* will guide the delivery of benefits, services and the administration of the WCB in the years ahead.

One of the top priorities for the WCB in 2005 will be to implement the changes brought about by the new legislation. Implementation will require, among many other tasks, policy development, responsible resource management and efficient and effective process development.

Time Loss Injury Rates per 100 Full-time Equivalent Workers




## PREVENTION

To speak of "accidents" is to speak of distressing, unintentional events that happen without apparent cause. Manitobans need to understand that workplace injuries and illnesses are not accidents. They are the result of unsafe actions, equipment, substances, processes and systems – things that can be changed to prevent the injury or illness from occurring in the first place.

### GOALS

The WCB will work with its partners to foster a safety culture in Manitoba, a culture that incorporates safety into every action.

A safety culture can only be created in the workplace if Manitobans make safety a part of all activities—at work, on the road, at home, at play and with children. The WCB's prevention campaign is not just about safer work, but a safer Manitoba.

### INDICATOR

The WCB is dedicated to working with its partners to achieve a 25 percent reduction in the time loss injury rate over 5 years.

### ACTIONS

In the coming years, the WCB and the WSHD will build on the success of the "SAFE Work" campaign. The WCB will reach out to individuals and groups interested in public and workplace safety in order to build a broad based safety coalition. In 2005 the WCB will initiate several new elements of the campaign while carrying over some components implemented in 2004.

- The WCB and the WSHD will continue the SAFE Work media campaign with television, radio and print advertisements. The WCB will measure the impact of the campaign by conducting random surveys of Manitobans to determine how well the safety message has changed their attitudes toward workplace safety and health.
- The WCB will continue to take its prevention message directly to the executives and CEOs of businesses and unions throughout the province.
- The SAFE Work Team will build on previous work with priority firms to improve workplace safety and health.
- The WCB will continue supporting joint prevention initiatives by working closely with the WSHD and other stakeholders.
- In 2005 and beyond, the WCB will develop a strategy to facilitate the full reporting of workplace injuries and will work with stakeholders to improve prevention processes and systems in the workplace.

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- In early 2005, in conjunction with the WSHD, the WCB released the second annual province-wide statistical report on workplace injuries and illnesses in Manitoba.

## RECOVERY

### GOALS

The WCB will work to improve support for workers' timely return to health.

The WCB will also work to improve support for workers' timely and sustainable return to productive work.

### INDICATORS

The WCB will track progress toward improving client perceptions of return to work services.

In 2005, the WCB will set service standards to measure the timeliness and quality of internal healthcare services.

### ACTIONS

#### Healthcare

Healthcare is a critical service provided to injured workers. The WCB continues to look for ways to improve this service and to help injured workers to return to health and work as quickly as possible. The WCB will continue to work with the healthcare system to provide appropriate services to injured workers. The WCB will also reach out to healthcare professionals for ideas and ways to provide timely services and reports.

As part of these strategies, the WCB will consider opportunities that make good business sense for improving access to healthcare services for injured workers, while at the same time expanding the capacity of the overall healthcare system for the benefit of all Manitobans.

The WCB will continue business renewal within the WCB healthcare service delivery area. The process through which WCB healthcare advisors provide opinions to WCB case managers will be changed and implemented in 2005. The target for delivering urgent medical opinions from WCB medical advisors to staff is one day; the target for standard medical opinions is five days or less.

The WCB will offer continuing medical education for WCB staff and physicians. Educational offerings will include best practices in treatment and techniques, and information on methods for helping injured workers to return to the workplace. The WCB will establish a healthcare intranet site to consolidate knowledge, practice and policy with respect to healthcare services at the WCB.

The WCB's Healthcare Services will continue to transfer knowledge to healthcare practitioners throughout the province about:

- best practices for treating workers with occupational injuries and diseases
- facilitating modified or alternate work arrangements for workers
- communicating with WCB medical advisors and case management staff.

#### Return to Work

A worker's successful return to health and work depends on mutual trust between the employer and the injured worker. A culture needs to be built that views returning to work as a natural part of the recovery process. This process should be participated in jointly by workers, employers, and the WCB — with the WCB intervening and acting as facilitator only when necessary. Unions, if present in the workplace, and the joint safety and health committee or representative should also be involved.

The WCB will continue to reach out to key stakeholders to assist in improving return to work capabilities. The WCB will respond to and build on recommendations and advice of the Return to Work Stakeholder Advisory Committee. The WCB will continue sharing best practices in disability management with employers, facilitating contact between employers and disability management service providers and focusing on priority areas to improve return to work service.

The WCB will work with the Association of Workers' Compensation Boards of Canada (AWCBC) to develop common return to work indicators to measure improvement.

## SERVICE

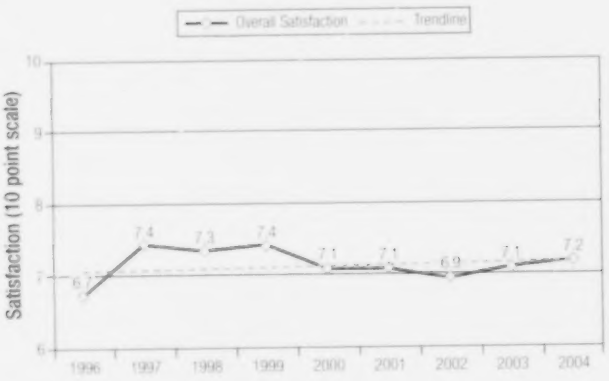
### GOALS

The WCB will work to create a stronger service culture within the organization. To improve customer service, the WCB must start from within, with WCB staff. The WCB recognizes that "How your employees feel is eventually how your customers will feel."[1]

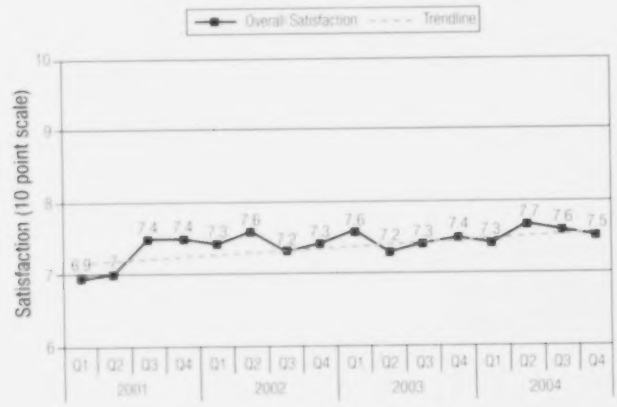
### INDICATORS

The WCB will score over 8.0 (out of 10) in customer satisfaction.

**Employer Satisfaction, 1996-2004**

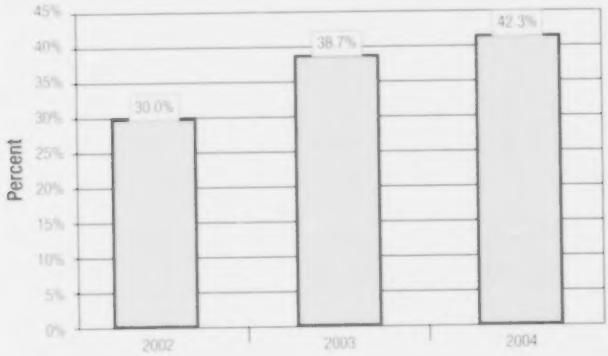



**Overall Worker Satisfaction by Quarter, 2001-2004**




The WCB will pay 70 percent of injured workers within 14 days of the original injury.

**Percentage of Routine Claims Paid within 14 days of Injury, 2002-2004**




### ACTIONS

In 2005, the WCB will continue to implement and refine its comprehensive service delivery plan. To achieve this, the WCB must reach out to workers and employers to understand their needs, expectations and knowledge of the WCB.

Understanding customers' needs and expectations is the first step in ensuring that the WCB continually improves its service. Additional client and stakeholder surveys will be conducted to explore the needs and expectations of longer term injured workers. The WCB will be surveying external healthcare providers about their relations with the WCB. The goal is to improve the service that both healthcare practitioners and the WCB provide to customers.

The WCB must deliver services that meet or exceed customer expectations. In 2005, the WCB will build on customer service training initiated in 2004. Training designed to improve staff's awareness of customer needs and expectations will continue, while workshops designed to enhance staff's customer service skills will also be provided.

The WCB will be focusing all of its printed communications with injured workers to ensure that they receive the right message at the right time. Communications will be geared toward informing injured workers of the benefits to which they are entitled, their rights and

[1] Karl Albrecht and Ron Zemke, *Service America in the New Economy* (McGraw Hill Ryerson, 2001).

WCB Workers Compensation Board of Manitoba

responsibilities and other services, such as those provided by the Fair Practices Office. Specific publications will be designed for workers who have just been injured, for workers with longer term claims and for other targeted audiences.

Customer perceptions of WCB service delivery must be measured in order to identify areas where it needs to improve. The WCB will continue to focus its improvement efforts in the areas that matter most to customers – service that is fast, easy, caring, right and clear.

***Electronic Claim Files***

The WCB will continue to improve the processes that lead to efficient services for stakeholders. In 2005, the WCB will build on the electronic claim file project implemented in short term claims in 2004, by introducing further computer tools for communicating with injured workers, employers and their representatives. In 2006, electronic claim files will be developed, piloted and implemented for longer term claims.

In addition, in 2005 and 2006 the WCB will develop and implement new financial processes necessary to manage and pay claims within the electronic claims initiative. The new system will replace old, custom-written computer programs with modern corporate financial software. All payment processes will be performed with this new application.

**Transitional Services**

The WCB will dedicate further resources in 2005 to enhance services that assist workers in making an easier transition through the various phases of injury and recovery. When injured workers are at a very difficult and confusing point in their lives, WCB staff reach out and help.

**Employment Equity**

The WCB is committed to increasing the representation of equity groups in all areas of the organization and at all levels. The WCB continues to provide employment equity awareness and training to staff and will implement strategies to employ and retain designated group members. A Diversity Specialist will focus on increasing the WCB's profile in the community with the goal of attracting more candidates from equity groups. To achieve this goal, the WCB will be reaching out to various Aboriginal, immigrant, disabled and ethnic organizations to assist with improving employment opportunities at the WCB.

## STEWARDSHIP

### GOALS

The concept of stewardship drives the WCB to ensure that all aspects of its operations—including its finances, human resources and technical supports —are complementary, effective and responsibly managed.

The WCB will continuously improve its processes, policies, infrastructure and data management systems to effectively support operations.

The WCB will improve human resources practices that enhance organizational and staff development.

The WCB will strive to improve the financial strength of the organization.

### INDICATORS

The WCB will monitor its performance by comparing itself against other Canadian workers' compensation authorities.

### ACTIONS

**Business Process Renewal of Employer Services**

The WCB continually explores ways to improve and support WCB operations. A comprehensive review of services to employers is underway. Employers have indicated that they would like more efficient and effective service delivery. Through Business Process Renewal, a more current, streamlined service to employers will be achieved.

**Human Resources**

The WCB is committed to improving and enhancing its performance management systems. It will improve human resources practices that enhance organizational and staff development. In 2005, the WCB will implement a new recruitment and selection process. Staff development will continue in areas of customer service, employment

equity, management training and respectful workplace training. These strategies will emphasize the value of our staff and encourage a strong and supportive organizational culture.

### Investments

The WCB oversees performance of its investment portfolio to ensure the best return possible. The asset mix of the portfolio is set through policy approved and monitored by the Investment Committee. This policy asset mix was set to generate a consistent positive real rate of return on invested assets. The WCB's portfolio includes equities from Canada, the United States and elsewhere in the world, fixed-income vehicles and real estate. Fund performance is measured against a balanced index composed of commonly accepted benchmarks weighted to match the long-term policy asset mix and the WCB expects the portfolio will out perform these relevant indexes (e.g. TSX, S&P.) In fact, the WCB has been successful in achieving actual returns that are better than benchmark in four of the past five years.

The WCB has developed an investment policy that formalizes its decade-long commitment to invest in Manitoba when returns and risks are comparable to that of other investments. The WCB will continue with its goal to have at least 10 percent of its investment portfolio involved in Manitoba opportunities. Investments include real estate, equities, bonds and mortgages.

A new accounting policy, fair value, adopted in 2004 is expected to inject more volatility into investment income. The WCB will manage this issue through effective and ongoing communication with stakeholders. Our goal is to ensure stakeholders understand how investment results impact the WCB's operating surplus and how this may impact premium rates and fund reserves. The overarching goal is to maintain premium rate stability while delivering a fair and compassionate compensation system for injured workers.

### Assessment Rates

Manitoba has the lowest average WCB assessment rate across Canada in 2005, at $1.70 per $100 of assessable payroll.

### Financial Management

In 2005, the WCB will review the appropriate usage of prescription drugs along with the approval and monitoring processes. The WCB will consider potential methods of prescription drug cost containment while continuing to ensure that injured workers receive excellent service.

### Community Leadership

The WCB and its staff have achieved a positive reputation for community leadership and support. For many years for instance, the WCB has championed the United Way with a campaign that is recognized as one of the 50 most successful workplace campaigns in Manitoba. It is a history to be proud of and has set the stage for even more successful campaigns in the future to help those in need in our community.

The WCB's Community Initiatives and Research Program (CIRP) funds several community-based projects in the areas of injury or disease prevention and treatment, services for injured workers and scientific or medical research related to workers' compensation. Up to $1 million is provided annually to fund such projects.

The WCB has embarked upon a new strategy to make the WCB a more environmentally conscious employer. A WCB employee "Green Team" has been formed to lead the effort. In 2005, the environmental strategy will focus on water conservation, recycling and energy saving.

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## CONCLUSION

The Five Year Plan presents the WCB's four strategic themes of prevention, recovery, service and stewardship and the goals it has set within them. These themes will continue to guide the WCB's plans and relationships with stakeholders as new legislation arises from the work of The Workers Compensation Act Legislative Review Committee.

The landscape and environment in which the WCB operates is rapidly changing. The new legislation will guide the delivery of benefits, services and activities of the WCB over the next few years. The WCB will also remain committed to reaching out to injured workers and employers in many ways:

- WCB staff reach out to injured workers when they are at a very difficult and painful point in their lives; staff also assist employers to help injured workers get back to work
- WCB staff spread the message of prevention to workers, employers and all Manitobans
- WCB staff reach out to the community, supporting the United Way in one of the most successful corporate campaigns in Manitoba
- The WCB staff regularly ask stakeholders about their satisfaction with the delivery of WCB services.

With the WSHD and its other safety partners, the WCB is leading a province-wide prevention campaign to create a safety culture in workplaces and throughout Manitoba. The importance of this initiative cannot be overstated. Prevention of occupational injuries and illnesses benefits everyone — workers, their families, employers and the WCB.

Helping injured workers return to health and safe work is a core activity of the WCB. The WCB will continue to work with healthcare providers to ensure that workers receive timely services, and with injured workers and employers to enhance the potential for successful return to work outcomes in Manitoba.

The WCB will continually seek out new and innovative ways to improve service to its customers. Its Statement of Service Excellence — *to provide service that is fast, easy, caring, right and clear* — will govern all aspects of service delivery.

The WCB supports a competitive provincial economy by providing its services for less. It has kept its assessment rates and administration costs per time loss claim among the lowest in Canada, while ensuring that its programs provide value to stakeholders, and that those who are at risk of occupational injury and illness receive the services and compensation to which they are entitled.

The budgeted and projected financial statements for 2005-2009 follow this section. These financial statements are accompanied by a discussion of the fiscal outlook, the assumptions used in developing the Five Year Plan and the risks associated with this plan.

## BUDGETED AND PROJECTED FINANCIAL STATEMENTS

The Five Year Plan (the Plan) financial statements covering the budget for the year ending December 31, 2005, and the projections for the years 2006 to 2009 are shown on pages 22 to 25. These projections were prepared using an average premium rate of $1.70 and other key assumptions found on pages 26 to 27. The projections are based on the WCB's current accounting policies described in the Notes to the Financial Statements in the 2004 Annual Report. The WCB's future operating results depend on several key variables, including:

**Legislative Review** - This Five Year Plan is based on the legislation in effect in February 2005.

A review of ***The Workers Compensation Act*** is in process. The Legislative Review Committee presented its report to the Minister of Labour and Immigration on February 3, 2005. This report included 100 recommendations estimated to cost a maximum of $9.5 million. The government will consider these recommendations, along with consultations on the report, in developing new legislation that is expected to be introduced during the spring session of the legislature.

Given the uncertainty surrounding this review, the impacts of new legislation were not incorporated into the budget and projections shown in the financial statements of the Plan. Projected operating surpluses will be reduced by the cost of any provisions included in the new legislation. However, it is likely given current projections, that the cost of recommendations contained within the Legislative Review Report may be manageable within the existing premium rate structure – i.e. an increase to the average assessment rate will not be necessary.

**Investment returns** – The investment rate of return used for 2005 is 6.75% and for 2006-2009 is 6.50%. The change in rate is explained by the relationship of the WCB's rate of return to the discount rate used to value WCB liabilities. As the discount rate is anticipated to move down twenty-five basis points (0.25%) in 2006 due to external financial factors, the expected investment rate of return has also been revised. A steady rate of return is used throughout the Plan as it is not possible to predict the market. Superior performance to the investment return assumption will improve the WCB's operating results, while poor returns will diminish the results.

**Time loss injury rate** – The 2005 time loss injury rate target of 4.35 achieves the 25% reduction in the injury rate over a five year period. A further 10% reduction in the injury rate is projected by 2008. Achieving these reductions is critical to meeting the operating results noted in the Plan.

**Premium revenue** – Employer premiums are the most significant revenue stream and play a major role in determining the WCB's operating results. This revenue stream grows along with the economy through higher employment and wage levels. The average premium rate used in the Plan remains steady at $1.70 (2004 budget was $1.70; actual was $1.71).

### OPERATING RESULTS - 2005

The 2005 budget anticipates a surplus of $7 million from operations.

Aggregate revenues increase $3 million (1%) to $223 million. Premium revenue growth is attributable to increased payrolls driven by employment growth and wage level increases. Investment income is predicated on the assumed market rate of return, combined with an assumption for the percentage of market gains that will be realized in the year.

Claim costs incurred budget is up $2 million (1%) to $164 million. Cost growth related to expected increases in average wage loss, healthcare and future costs of claims is offset by budgeted reductions in the number of claims and by the bi-ennial pension indexing adjustment. Included in claim costs incurred is an $11 million charge associated with the expected reduction in the discount rate for valuing liabilities of a further 25 basis points (0.25%).

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## OPERATING RESULTS - 2006 to 2009

During the period 2006-2009, operating surpluses are anticipated to range from $16 to $26 million. Note that these operating result projections do not include the impact of legislative review.

Aggregate revenues grow to $261 million by 2009, a 17% increase from 2005. Both premium and investment revenue growth are based on a steady application of the underlying assumptions used to calculate the 2005 revenue budget.

During the same time period, claim costs incurred grow to $178 million, a 9% increase from 2005. Claim costs incurred calculations for the period 2006-2009 are based on assumed increases to the wage loss, healthcare and future costs of claims, offset by budgeted reductions in the number of claims resulting from a further 10% reduction to the injury rate.

The aggregate operating surpluses add $95 million to the Accident Fund Reserve resulting in a December 31, 2009 fund balance of $165 million. Again, these projections will be affected by the revisions to ***The Workers Compensation Act***.

## ACCIDENT FUND RESERVE AND TARGET BALANCE TO MITIGATE RISK:

The WCB's Accident Fund Reserve is available to protect the WCB and its ratepayers from general business risks and catastrophic events in areas such as investment returns or injury claim costs. The target level for the reserve is formula driven based on the size of the organization's operations and is expected to be $194 million by 2009. The projected balance in the reserve by December 31, 2009 of $165 million is well below this target.

Given the size of the WCB's investment portfolio (almost $800 million), annual swings in investment returns can translate into significant variations to the corporate operating surplus and to the fund reserve. As the WCB is now operating under fair value accounting in accordance with new accounting regulations introduced in 2004 (vs. the previous investment income policy of smoothing gains and losses over a five year period), the need to mitigate this investment income risk is heightened. This stewardship issue was addressed by adopting a revised Accident Fund Reserve funding policy concomitant to the introduction of fair value accounting. The fund balance target of $194 million is one third greater than the previous funding policy stipulated. Maintaining the target balance allows the WCB to avoid large premium rate fluctuations.

Accordingly, the WCB must monitor the amounts that are held in reserve and strive to reach the reserve fund target balance while assessing the impact on ratepayers and injured workers.

## ACCUMULATED OTHER COMPREHENSIVE INCOME AND TOTAL COMPREHENSIVE SURPLUS

As a requirement under Canadian Institute of Chartered Accountants (CICA) 3855 "Financial Instruments – Recognition and Measurement", the WCB records Other Comprehensive Income. This income/loss is added to the operating surplus/loss to arrive at Total Comprehensive Surplus/Loss, which is estimated to be $17 million in 2005 and from $26 to $37 million during 2006 to 2009.

Also, under CICA #3855, the WCB maintains a balance for Accumulated Other Comprehensive Income. This amount is the unrealized gains/losses of the investment portfolio. These gains/losses are held in the account until an investment instrument is sold; at which point, the gain/loss flows through investment income. By 2009, the balance in this account is estimated to be $110 million.

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## Workers Compensation Board of Manitoba
## Balance Sheet (Unaudited)
## As at December 31
(000's)

| | 2004 Actual | 2005 Budget | 2006 Projection | 2007 Projection | 2008 Projection | 2009 Projection |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash | $ 2,079 | $ 1,558 | $ 1,968 | $ 1,877 | $ 2,066 | $ 2,085 |
| Receivables and other | 30,864 | 31,192 | 32,421 | 33,714 | 35,062 | 36,492 |
| Investment portfolio | 785,871 | 816,069 | 848,002 | 885,286 | 926,291 | 970,290 |
| Deferred assessments | 22,870 | 23,698 | 24,000 | 23,568 | 23,308 | 22,455 |
| Capital assets | 11,844 | 12,469 | 12,469 | 12,469 | 12,469 | 12,469 |
| | $ 853,528 | $ 884,986 | $ 918,860 | $ 956,914 | $ 999,196 | $ 1,043,791 |
| **Liabilities and Surpluses** | | | | | | |
| Payables and accrued liabilities | $ 19,562 | $ 20,446 | $ 20,713 | $ 21,200 | $ 21,774 | $ 22,319 |
| Benefit liabilities | 703,447 | 717,405 | 725,452 | 731,102 | 739,160 | 746,658 |
| Total liabilities | 723,009 | 737,851 | 746,165 | 752,302 | 760,934 | 768,977 |
| Accident fund reserve | 70,491 | 77,498 | 93,598 | 115,710 | 139,138 | 165,001 |
| Accumulated other comprehensive income | 60,028 | 69,637 | 79,097 | 88,902 | 99,124 | 109,813 |
| | $ 853,528 | $ 884,986 | $ 918,860 | $ 956,914 | $ 999,196 | $ 1,043,791 |
| Funding Ratio (assets ÷ liabilities) | 118.1% | 119.9% | 123.1% | 127.2% | 131.3% | 135.7% |

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## Workers Compensation Board of Manitoba
## Statement of Operations (Unaudited)
## For the years ending December 31
**(000's)**

| | 2004 Actual | 2005 Budget | 2006 Projection | 2007 Projection | 2008 Projection | 2009 Projection |
|---|---|---|---|---|---|---|
| **Projected Average Premium Rate** | $ 1.70 | $ 1.70 | $ 1.70 | $ 1.70 | $ 1.70 | $ 1.70 |
| **Revenue** | | | | | | |
| Premium revenue | $ 177,897 | $ 184,242 | $ 190,794 | $ 197,519 | $ 205,460 | $ 213,106 |
| Investment income | 42,218 | 38,711 | 40,557 | 43,523 | 45,789 | 48,277 |
| Total revenue | 220,115 | 222,953 | 231,351 | 241,042 | 251,249 | 261,383 |
| **Expenses** | | | | | | |
| Claim costs incurred | 161,317 | 163,501 | 162,187 | 164,619 | 172,035 | 178,329 |
| Operating expenses | 49,140 | 52,445 | 53,064 | 54,311 | 55,786 | 57,191 |
| Total expenses | 210,457 | 215,946 | 215,251 | 218,930 | 227,821 | 235,520 |
| **Operating Surplus** | $ 9,658 | $ 7,007 | $ 16,100 | $ 22,112 | $ 23,428 | $ 25,863 |

## Statement of Changes in Fund Balances (Unaudited)
## For the years ending December 31
**(000's)**

| | | | | | | |
|---|---|---|---|---|---|---|
| **Rate Stabilization Fund** | | | | | | |
| Balance at beginning of year | $ 35,955 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| Transfer to accident fund reserve | (35,955) | 0 | 0 | 0 | 0 | 0 |
| Balance at end of year | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| **Accident Fund Reserve** | | | | | | |
| Balance at beginning of year | $ 20,018 | $ 70,491 | $ 77,498 | $ 93,598 | $ 115,710 | $ 139,138 |
| Change in accounting policy | 4,860 | 0 | 0 | 0 | 0 | 0 |
| Balance as restated | 24,878 | 70,491 | 77,498 | 93,598 | 115,710 | 139,138 |
| Transfer from rate stabilization fund | 35,955 | 0 | 0 | 0 | 0 | 0 |
| Allocation from operating surplus | 9,658 | 7,007 | 16,100 | 22,112 | 23,428 | 25,863 |
| Balance at end of year | $ 70,491 | $ 77,498 | $ 93,598 | $ 115,710 | $ 139,138 | $ 165,001 |

## Workers Compensation Board of Manitoba
## Statement of Comprehensive Surplus
## For the years ending December 31
**(000's)**

| | 2004 Actual | 2005 Budget | 2006 Projection | 2007 Projection | 2008 Projection | 2009 Projection |
|---|---|---|---|---|---|---|
| **Operating Surplus** | $ 9,658 | $ 7,007 | $ 16,100 | $ 22,112 | $ 23,428 | $ 25,863 |
| **Other Comprehensive Income** | | | | | | |
| Unrealized gains on available-for-sale financial assets | 56,124 | 27,204 | 27,997 | 30,007 | 31,268 | 32,687 |
| Reclassification of realized gains to the Statement of Operations | (19,422) | (17,595) | (18,537) | (20,202) | (21,046) | (21,998) |
| Net change in other comprehensive income for the year | 36,702 | 9,609 | 9,460 | 9,805 | 10,222 | 10,689 |
| **Total Comprehensive Surplus** | $ 46,360 | $ 16,616 | $ 25,560 | $ 31,917 | $ 33,650 | $ 36,552 |

## Statement of Changes in Accumulated Other Comprehensive Income (Unaudited)
## For the years ending December 31
**(000's)**

| | | | | | | |
|---|---|---|---|---|---|---|
| **Accumulated Other Comprehensive Income** | | | | | | |
| Balance at beginning of year | $ 0 | $ 60,028 | $ 69,637 | $ 79,097 | $ 88,902 | $ 99,124 |
| Change in accounting policy | 23,326 | 0 | 0 | 0 | 0 | 0 |
| Balance as restated | 23,326 | 60,028 | 69,637 | 79,097 | 88,902 | 99,124 |
| Net change in other comprehensive income for the year | 36,702 | 9,609 | 9,460 | 9,805 | 10,222 | 10,689 |
| Balance at end of year | $ 60,028 | $ 69,637 | $ 79,097 | $ 88,902 | $ 99,124 | $ 109,813 |

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## Workers Compensation Board of Manitoba
## Statement of Cash Flows (Unaudited)
## For the years ending December 31
**(000's)**

| | 2004 Actual | 2005 Budget | 2006 Projection | 2007 Projection | 2008 Projection | 2009 Projection |
|---|---|---|---|---|---|---|
| **Operating Cash Flows** | | | | | | |
| Premiums from employers | $ 174,636 | $ 183,086 | $ 189,264 | $ 196,658 | $ 204,371 | $ 212,529 |
| Payments to claimants or third parties on their behalf | (147,993) | (149,543) | (154,140) | (158,968) | (163,976) | (170,832) |
| Purchases of administrative goods and services, excluding investment fees | (46,009) | (48,496) | (49,798) | (50,826) | (52,212) | (53,644) |
| Net cash used by operating activities | (19,366) | (14,953) | (14,674) | (13,136) | (11,817) | (11,947) |
| **Investing Cash Flows** | | | | | | |
| Proceeds from investment portfolio | 22,200 | 18,122 | 18,084 | 16,045 | 15,006 | 14,966 |
| Capital asset acquisitions, net of disposals | (2,268) | (3,690) | (3,000) | (3,000) | (3,000) | (3,000) |
| Net cash provided by investing activities | 19,932 | 14,432 | 15,084 | 13,045 | 12,006 | 11,966 |
| Net increase(decrease) in cash | 566 | (521) | 410 | (91) | 189 | 19 |
| Cash at beginning of year | 1,513 | 2,079 | 1,558 | 1,968 | 1,877 | 2,066 |
| Cash at end of year | $ 2,079 | $ 1,558 | $ 1,968 | $ 1,877 | $ 2,066 | $ 2,085 |

**NOTE:** Proceeds on disposal of investments are shown net of the cost of purchases of investments and investment fees. This reflects the cash flow provided to the WCB's operations by the investment portfolio.

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# KEY ASSUMPTIONS – FIVE YEAR PLAN (2005 – 2009)

The following key assumptions, as at February 25, 2005, were used to develop the 2005 Five Year Plan.

**General Assumptions:**

1) The impact of legislative review is not included in the calculation of premium revenue or claim costs incurred.

2) Employment growth is assumed to be 1% each year.* The employment growth assumption impacts both premium revenue and claim costs incurred.

3) The Average Weekly Wage (AWW) is assumed to increase 3% each year.*

4) Inflation (CPI) is assumed to be 2.5% per annum.*

*assumptions are based on a review of Manitoba Bureau of Statistics data.

**Premium Revenue Assumptions:**

1) Assessable payrolls are assumed to increase by 4% (1% employment growth, 3% AWW) in each of the years 2005 to 2009.

2) The average premium rate will remain steady at $1.70 per $100 of assessable payroll throughout the Five Year Plan timeframe.

**Investment Assumptions:**

1) For the Five Year Plan, the WCB has used an overall annual net return of 6.75% for 2005 and 6.50% for each of the years 2006-2009. In addition, an assumption of a two thirds/one third split for realized vs. unrealized gains has been adopted. Realized gains are recorded in investment income while unrealized gains are recorded in Other Comprehensive Income. Following are the expected total rates of return (income plus growth) by asset class:

| | 2005 | 2006-9 |
|---|---|---|
| Canadian equities | 9.00% | 8.50% |
| U.S. equities | 8.75% | 8.50% |
| International equities | 9.00% | 8.50% |
| Bonds | 4.00% | 4.00% |
| Mortgages | 4.50% | 4.50% |
| Real estate | 9.00% | 9.00% |
| Short term | 2.50% | 2.50% |
| Expenses | (0.50%) | (0.50%) |
| Net Total (weighted average) | 6.75% | 6.50% |

2) The WCB uses its investment returns to supplement premium revenue to fund its operations and will make annual withdrawals from the portfolio of $15 to $18 million per year.

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**Claim Costs Incurred Assumptions:**

1) The budgets are based on existing legislation and administrative policies. Any significant changes to ***The Workers Compensation Act*** or to WCB policies will be dealt with as budget amendments as they arise. This includes the impact of Legislation Review.

2) The 2005 time loss injury rate is projected to be 4.35. This represents a 25% reduction from the 5.80 rate in 2000. The Five Year Plan includes a further 10% decline of the 4.35 rate to 3.90 with rates for the years 2006 to 2009 as follows: 4.20, 4.05, 3.90 and 3.90.

3) Compensation claims in pay are expected to decline, but reductions will lag behind the overall time loss injury rate reductions. The WCB will experience increased recurrences for claimants who return to the WCB for healthcare services during the life of their claim.

4) Wage loss compensation is based on the injured worker's net pay after income taxes. It is anticipated that there will not be any significant federal and provincial income tax changes impacting compensation wage loss payment costs.

5) As a result of wage increases coupled with the expected distribution of claims by original year of claim:

- the average cost per compensation claim is expected to increase by 2% in 2005 and 4% each year thereafter
- the average cost of a rehabilitation claim is budgeted to climb by 1% in 2005 and 3% each year thereafter
- the average future cost for compensation and rehabilitation claims are budgeted using inflationary assumptions noted above. In addition, an $11 million charge associated with a reduction to the discount rate from 6.75% to 6.50% is included in wage loss future cost.

6) Healthcare costs are based on contractual arrangements currently in place, and in general, are expected to increase at a rate that is greater than CPI.

- the Five Year Plan is based on an annual net increment in healthcare expenses of 6%
- the future cost for healthcare expenses of existing claims is calculated as a multiple of current year spending; the multiple, or factor, for 2004 is 2.55 and it is assumed to be 2.65 for 2005 through 2009.

**Operating Expenses Assumptions:**

1) Operating expenses are made up of administration expenses and prevention costs. The 2005 administration expense of $44.6 million includes a one-time charge of $0.5 million to implement changes resulting from the new legislation. After 2005, administration expenses are assumed to grow at the level of inflation, i.e. 2.5%.

2) Prevention expenditures are presumed to be $7.9 million for 2005, growing to $8.5 million by 2009. This amount covers the funding grant for the Workplace Safety & Health Department and the Worker Advisor Office, as well as costs for the public awareness campaign.

3) Capital expenditures are budgeted to be $3.7 million in 2005 and are projected to be about $3.0 million per year thereafter.

4) Depreciation charges (included in administration expenses) are budgeted at about $3.0 million throughout the five year timeframe.

SAFE WORK
SPOT THE HAZARD
ASSESS THE RISK
FIND A SAFER WAY
EVERYDAY

## RISKS

The 2005 budget and the projections for 2006 to 2009 have been prepared using assumptions that are considered reasonable and probable. Actual results achieved for these five years will vary from the information presented and the variations may be material.

Other than the impact on administration expenses for 2005 relating to implementation issues, the Five Year Plan does not include the impact of the expected new legislation for the WCB as the content of the legislation is unknown.

Beyond the new legislation, the two areas that have the greatest potential variation are investment income and claim costs incurred.

**Investment income** is budgeted to be $38.7 million in 2005, growing to $48.3 million by 2009 – utilizing the stated assumptions for net rate of return, realized gains and withdrawals. This is the first five year plan published since the adoption of fair value accounting for investments. Fair value accounting will inject more volatility into the investment revenue results than was experienced under the previous accounting policy – where gains and losses were recorded over a five year period. It is important to note that while the calculated investment income is based on reasonable assumptions, the actual results will vary with the market and with the value of withdrawals and rebalancing activity within the portfolio. As these items are very difficult to predict, fluctuations from the plan are very likely to occur and these fluctuations can be significant. Given the volatility that may occur, the amounts that are held in reserve will be monitored as will the potential requirement to adjust premium rates.

**Claim costs incurred** include the amounts spent in the current year for new claims, as well as the expected future costs to be incurred for those claims. Claim costs also include any adjustments to the estimated future costs for claims arising from prior years. The two measures with the greatest impact on claim costs are injury levels and costs per claim.

- The Five Year Plan incorporates a reduction in the injury rate from 4.50 to 3.90 by 2008. This projected reduction is supported by a public awareness campaign that seeks to create a safety conscious mindset in all Manitobans whether they are at work or at play. The campaign is now in its second year. Other initiatives such as the employer premium rate setting model's prevention mechanism, Employer ScoreCards, and the additional focus on prevention through the SAFE Work Team also contribute to the injury rate reduction goal. An inability to achieve these reductions will lead to higher injury and claims volumes and correspondingly higher expenses.

- Costs per claim are budgeted based on assumptions for wage increases, income tax changes and inflation for healthcare costs. The average cost per claim is also quite sensitive to the proportion of old and new claims in the payment mix. Older claims, which are more expensive, have remained constant as a relative percentage in recent years. The reduction projected in new claim levels may lead to increases in the average cost per claim if there is growth in the proportion of prior year claims.

  Claim costs incurred can also be affected dramatically by a small number of expensive claims, such as fatalities where there are young dependants surviving the deceased worker.

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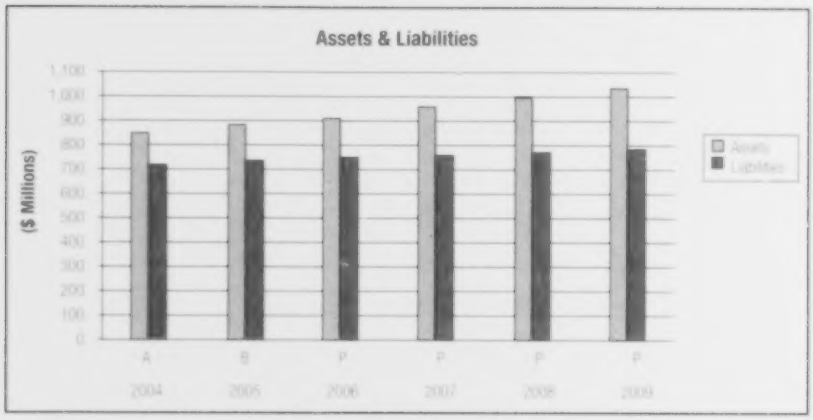
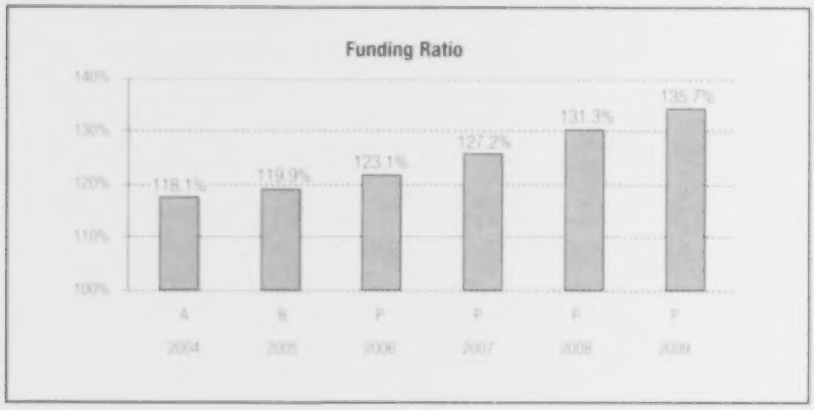
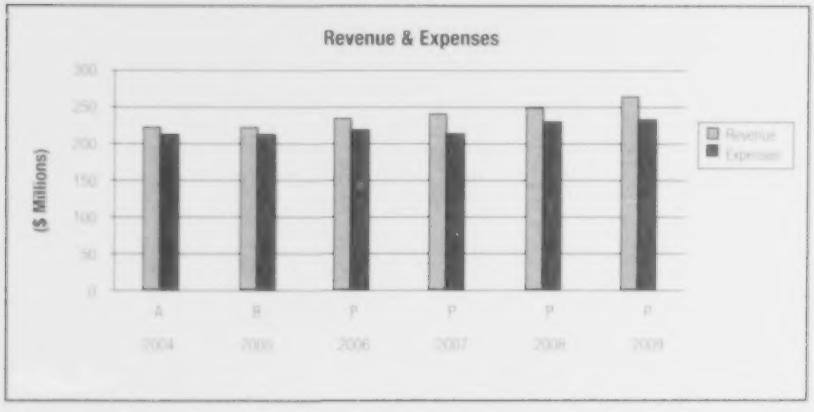
# FINANCIAL HIGHLIGHTS OF THE FIVE YEAR PLAN




A: Actual B: Budget P: Projections

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